



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER BUSINESS LINE

February 16, 2001

**CONFIDENTIAL**

In reply refer to: PTF

Contract No. 01PB-10782  
LETTER AGREEMENT

Mr. Raymond D. Hart, Deputy Director  
California Department of Water Resources  
P.O. Box 942836, Room 1115-9  
Sacramento, CA 94236-0001

Dear Mr. Hart:

As a result of recent discussions between representatives of the Bonneville Power Administration, Power Business Line (BPA), the California Department of Water Resources (CDWR), and the California Energy Resource Scheduling (CERS), the parties have agreed to enter into mutually beneficial replacement and/or operating (spinning and non-spinning) reserves transactions from time-to-time.

Accordingly, BPA proposes the following:

1. **TERM.** This letter agreement (Agreement) shall become effective on the date executed by the parties, and shall continue in effect until 2400 hours on December 31, 2001, unless terminated earlier upon 30 days' written notice by one party to the other party. All obligations incurred hereunder shall be preserved until satisfied.
2. **EXHIBIT.** Exhibit A (Western Systems Power Pool Agreement, effective as of July 1, 2000 (the WSPP Agreement)), is attached hereto and made a part of this Agreement; provided, however, that the provisions of section 24 of the WSPP Agreement shall be read to substitute the phrase "State of California" for the phrase "State of Utah."
3. **DAY-AHEAD AND HOUR-AHEAD RESERVES PRODUCTS.** The parties may, from time-to-time, enter into replacement and/or operating reserves transactions, which are described below.

(a) **Day-Ahead Preschedule**

(1) **Capacity Component**

The CDWR/CERS may request, no later than hour-ending (HE) 1200 of the prescheduled day, hourly capacity amounts to be made available by BPA for the following operating day.

BPA and CDWR/CERS shall mutually agree upon the hourly megawatt (MW) amounts, capacity price (\$/MW/hr), and the point of delivery, which will be either the California-Oregon Border (COB) or Nevada-Oregon Border (NOB). If CDWR/CERS desires, and it is agreed to by BPA, to pay for all energy called on pursuant to section 3(a)(2) below rather than return it pursuant to section 3(c) below, then BPA and CDWR/CERS shall also agree on the energy price (\$/MWh). If the parties fail to agree on an energy price, then the provisions of section 3(c) below shall apply.

The capacity amounts shall be subject to firm transmission availability, and available capacity on the Federal Columbia River Power System (FCRPS); as determined by BPA.

(2) **Energy Component**

The energy component shall only be called on by CDWR/CERS in association with the delivery of replacement and/or operating reserves capacity. If called on by CDWR/CERS, energy will be delivered by BPA to the point of delivery agreed to under section 3(a)(1) above, and up to the amounts agreed upon under section 3(a)(1) above. If CDWR/CERS chooses to call for energy, it shall do so no later than thirty (30) minutes after the hour that is prior to the delivery hour (i.e., by 1230 for the delivery hour beginning 1300 and ending at 1400).

(b) **Hour-Ahead Predispatch**

(1) **Capacity Component**

The CDWR/CERS may request, no less than ninety (90) minutes before the delivery hour (e.g., before 1130 for delivery hour beginning 1300 and ending 1400), an hour-ahead (HA) capacity amount to be made available by BPA.

BPA and the CDWR/CERS shall mutually agree upon the HA megawatt (MW) amount, capacity price (\$/MW/hr), and point of delivery, which will either be COB or NOB. If CDWR/CERS desires, and it is agreed to by BPA, to pay for all energy called on pursuant to section 3(b)(2) below rather than return it pursuant to section 3(c) below, then BPA and CDWR/CERS shall also agree on the energy price (\$/MWh). If the parties fail to agree on an energy price, then the provisions of section 3(c) below shall apply.

The capacity amount shall be subject to firm transmission availability, and available capacity on the FCRPS, as determined by BPA.

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(2) **Energy Component**

The energy component shall only be called on by CDWR/CERS in association with the delivery of replacement and/or operating reserves capacity. If called on by CDWR/CERS, energy will be delivered by BPA to the point of delivery agreed to under section 3(b)(1) above, and up to the amount agreed upon under section 3(b)(1) above. If CDWR/CERS chooses to call for energy, it shall do so no later than thirty (30) minutes after the hour that is prior to the delivery hour (i.e., by 1230 for the delivery hour beginning 1300 and ending at 1400).

(c) **Return of Energy by CDWR/CERS**

All energy called upon by CDWR/CERS and delivered by BPA under sections 3(a)(2) and 3(b)(2) above shall be returned to BPA by CDWR/CERS at a ratio of 1.1 MWh to every 1 MWh delivered by BPA, unless BPA and CDWR/CERS mutually agreed to cash out the energy at the time that capacity amounts were requested pursuant to section 3(a)(1) or section 3(b)(1) above.

CDWR/CERS shall use best efforts to return all energy to BPA within 24 hours following the hour of delivery; provided, however, that if CDWR/CERS is unable to return all energy due to transmission availability or operating requirements then CDWR/CERS shall pay BPA for such energy at a mutually agreed upon then-current spot market price; provided, further, that if BPA is unable to accept all energy due to transmission availability or operating constraints, then: (1) the parties will attempt to mutually agree on a delivery period for the energy; (2) if the parties are unable to agree on the delivery period within 48 hours of the delivery hour, then CDWR/CERS shall pay BPA for such energy at a mutually agreed upon then-current spot market price.

BPA reserves the right to suspend further transactions under this Agreement or terminate this Agreement if CDWR/CERS does not adhere to the provisions of this section 3(c).

4. **PROVISIONS RELATING TO DELIVERY**

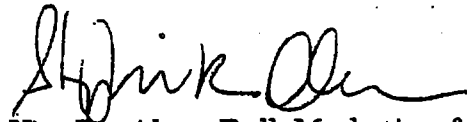
Deliveries of energy are for up to the full capacity amount requested for the full hour. Mid-hour schedule changes will not be allowed unless such requests can be determined to be a result of emergency operating conditions. Definition of emergency operation conditions can be obtained at Bonneville Power Administration-Transmission Business Line's (BPAT) Open Access Same-time Information System (OASIS) posting. The delivering party shall be responsible for transmission losses to the point of delivery, and the receiving party shall be responsible for transmission losses from the point of delivery.

5. **UNDERLYING PROVISIONS.** Unless otherwise specified in this Agreement, all provisions required to perform either party's obligations

under this Agreement shall be as described in the WSPP Agreement, as limited by the provisions of section 2 above.

If the foregoing is acceptable to the CDWR/CERS, please arrange to have both originals signed and return one to me. The remaining original is for your files.

Sincerely,



Vice President, Bulk Marketing &  
Transmission Services

Name Stephen R. Oliver  
(Print/Type)

ACCEPTED:

CALIFORNIA DEPARTMENT OF WATER  
RESOURCES

By RD Hart

Name Raymond D. Hart  
(Print/Type)

Title Deputy Director

Date 2/20/01

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**Exhibit A**  
**WESTERN SYSTEMS POWER POOL AGREEMENT**  
**(Effective July 1, 2000)**

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**INTER-AGENCY AGREEMENT BETWEEN THE PACIFIC RIM REGION OF THE U.S.  
GENERAL SERVICES ADMINISTRATION  
AND THE CALIFORNIA DEPARTMENT OF WATER RESOURCES**

**AGREEMENT IDENTIFICATION:**

GSA Agreement No: 9PMF-01-IA-0001  
CDWR Agreement No:

**TYPE OF ACTION:**

New

**PROJECT TITLE/DESCRIPTION:**

Electricity Management

**AGREEMENT PERIOD:**

February 13, 2001 through April 30, 2002, unless  
otherwise terminated earlier.

**FINANCIAL DATA:**

Invoicing to be provided through Bonneville Power  
Administration

**ISSUING AGENCY:**

GSA PBS Pacific Rim Region  
Property Management Division (9PMF-I)  
450 Golden Gate Ave. 4C  
San Francisco, CA 94102  
Contact: Mark Levi, 415.522.3374

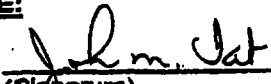
**PERFORMING AGENCY:**

California Department of Water Resources

**ISSUING AGENCY AUTHORIZATION:**

 2/9/01  
(Signature) (Date)

**PERFORMING AGENCY ACCEPTANCE:**

 2/9/01  
(Signature) (Date)  
John M. Tate  
Director, Real Property Programs Division

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## **1. General**

The General Services Administration (GSA) is provided with a 24/7 block of power from the Bonneville Power Administration (BPA). This consists of 12 MW for federal buildings in California; 4 MW for the U.S. Army, Presidio of Monterey; and 2 MW for the U.S. Parks Service (Yosemite and Channel Islands). The termination of the California Power Exchange day-ahead market requires a modification in the method of delivery of this power into California. This agreement provides GSA and BPA with an alternative method of delivery, through the California Department of Water Resources (CDWR) as a purchasing agent for the state.

## **2. Delivery of Power**

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### **2.1. General**

The Bonneville Power Administration (BPA) has agreed to deliver 18 MW per hour of power at the California Oregon Border. The CDWR shall coordinate scheduling and delivery of the power directly with BPA. There may be interruptions in delivery due to congestion or other Uncontrollable Forces.

### **2.2. Uncontrollable Forces**

To the extent that BPA is prevented from delivery under the Agreement by an Uncontrollable Force, BPA and GSA will be excused from their respective obligations, other than from payment obligations incurred prior to the Uncontrollable Force, without liability to the other for the duration of the Uncontrollable Force and the period reasonably required to restore operations to conditions existing prior to the occurrence of the Uncontrollable Force. BPA, by its agreement with GSA, has agreed to notify any control area involved in the scheduling of a transaction which may be curtailed due to an Uncontrollable Force. Intrazonal congestion in California that precludes sale delivery of power as otherwise agreed shall be an Uncontrollable Force.

## **3. Price and Payment**

CDWR shall pay \$55.00 per megawatt-hour (MWH) of power delivered. Payment shall be within 30 days of receipt of an invoice from the Bonneville Power Administration. Invoicing will be monthly, at the end of each calendar month. The Bonneville Power Administration will administer invoicing and financial management on behalf of GSA, the Army and the Park Service.

The Amount invoiced by BPA on GSA's behalf will be reduced for any amount of energy not delivered to CDWR due to an Uncontrollable Force.

#### **4. Termination**

Either party may terminate this agreement in whole or in part for its convenience by providing fifteen (15) days written notice to the other party. CDWR shall pay for power delivered up to the effective date of termination as described herein.

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**WAIVER OF STATUTORY PROVISIONS  
FOR INTER-AGENCY AGREEMENT BETWEEN THE PACIFIC RIM  
REGION OF THE U.S. GENERAL SERVICES ADMINISTRATION  
AND DEPARTMENT OF WATER RESOURCES**

**WHEREAS:**

1. The Emergency Proclamation Issued by the Governor and signed January 17, 2001, as supplemented by emergency legislation, including but not limited to AB 1X (Keeley), requires the Department of Water Resources (hereinafter "DWR" or "Department") to enter into contracts and arrangements for the purchase and sale of electric power with public and private entities and individuals as may be necessary to assist in mitigating the effects of the energy emergency; and,
2. Water Code §80014(b), enacted as part of AB 1x, provides that contracts entered into under Division 27 of the Water Code (§§80000 *et seq.*) are subject to the provisions of the Government Code and the Public Contract Code applicable to State contracts, unless the Department determines that application of any such provision to such contracts is detrimental to accomplishing the purposes of this division;
3. Pursuant to Delegation Order No. 14, Deputy Director Raymond D. Hart has been delegated the authority to approve documents and sign correspondence concerning implementation of said Emergency Proclamation and supplemental legislation;
4. Delegation Order No. 14 authorizes Deputy Director Hart to exempt such documents from the provisions of the Government Code and the Public Contract Code to the extent that they would prevent, hinder or delay the prompt mitigation of the effects of this emergency;
5. In order to carry out the purposes of the Governor's Emergency Proclamation and Division 27 of the Water Code (AB 1X), the Department has an immediate need to enter into an agreement to assume scheduling coordinator duties with respect to power being

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delivered for federal facilities in California from the Bonneville Power Administration;

6. Application of the State contracting provisions in the Government Code and the Public Contract Code will impede or eliminate the Department's ability to performing these duties in a timely manner and would therefore be detrimental to accomplishing the purposes of the Governor's Emergency Proclamation and Division 27 of the Water Code (AB 1X).

IT IS HEREBY DETERMINED THAT:

In order to mitigate the effects of this energy emergency and carry out the necessary functions assigned to the Department by the Governor's Emergency Proclamation and Division 27 of the Water Code (AB 1X), the provisions of the Government Code and Public Contract Code applicable to State contracts should be waived, to the extent that the Inter-Agency Agreement between the Pacific Rim Region of the U.S. General Services Administration and the Department of Water Resources not conform to those State contracting provisions.

Signed:

  
Raymond D. Hart  
Deputy Director  
California Department of Water Resources

Dated: 2/9/01

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